



REPORT BY THE
DEPARTMENT OF FISH & GAME
AUDITS BRANCH

WA-09-04

AUDIT OF THE
CENTRAL REGION
(LICENSE SALES FUNCTION)

DECEMBER 2009

State of California

Memorandum

To: J. Single, Regional Manager
Central Region

Date: December 8, 2009

From: Brian A. Kwake 
Department of Fish and Game

Audit Control Number
WA-09-04

Subject: Final Audit Report - Central Region's License Sales Function

Attached is the final audit report for the Central Region's (CR) license sales function for the period January 1, 2008 through August 31, 2009. The audit was conducted under the authority of the Audit Branch's (AB) charter that established the AB as the unit responsible for conducting audits of the operating systems and programs of the Department of Fish and Game. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* as required by the California Government Code, Section 1236.

CR's response to the report generally agrees with our audit findings and recommendations. The Audits Branch (AB) incorporated the Department's response as Attachment A to this report.

We would like to thank the CR staff for their time and cooperation. Should you have any questions, please contact Scott Marengo at (916) 445-3367.

Attachment

cc: J. McCamman
K. Hunting
H. Carricker
H. Kiyan
J. Fong
D. Layman

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SUMMARY

The Department of Fish and Game's (DFG) Audits Branch (AB) performed an audit of the Central Region's (CR) license sales function. The audit was conducted to determine whether controls over the license sales function were adequate to ensure sales transactions were properly recorded, reported, and sales revenue was deposited, and whether the internal controls were adequate to ensure accountability for its consigned inventories of licenses, permits, tags, and stamps. The audit found the internal control structure over the license sales and inventory functions to be adequate, except for \$1,698 in missing license inventory.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

On May 23, 2007, the AB issued audit report number WA 06-18 on CR's license sales function. We followed-up on the finding in this report to determine if the prior finding had been fully resolved. This finding related to inadequate separation of duties. Based on our follow-up, we determined that the CR has resolved this matter.

BACKGROUND

The DFG has 11 regional and field offices that offer license sales to the public. The License and Revenue Branch (LRB) sales manual provides the DFG offices instruction on license issuance, deposit, accounting, cashiering, and reporting requirements. The License Agent System (LAS) provides a method of accounting for the sale of various licenses, permits, stamps, and other items distributed by the LRB. Part of this LAS function is the actual distribution of the various items of inventory maintained by the LRB.

Under the authority of the AB charter, the AB has initiated audits of the DFG's license sales at the 11 regional and field offices in order to provide management reasonable, but not absolute, assurance that the DFG offices are in compliance with laws relating to the sale of commercial and sport licenses. As part of this process, the CR was selected for audit.

SCOPE, METHODOLOGY, AND OBJECTIVES

The DFG's AB audited the CR's license sales function for the period January 1, 2008 through August 31, 2009. Our audit was conducted in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States and the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, Inc.

Our study and evaluation included a review of applicable laws and regulations, as well as regional sales and inventory records. Audit tests and other audit procedures considered necessary to meet audit objectives were included. These tests consisted of documenting the cash and inventory internal controls, identifying control strengths and weaknesses, performing compliance testing of the license sales functions, verifying inventories, documenting and evaluating adequate separation of duties.

The objectives of the audit were to provide DFG's management with reasonable, but not absolute, assurance that:

- Controls over the license sales functions were adequate to ensure that sales transactions were properly authorized, supported, recorded, and deposited.
- Controls were adequate to ensure accountability of inventories assigned to the office and inventories consigned to the individual sales clerks.

CONCLUSION

In our opinion, the CR has properly recorded, deposited, reported license revenue, and accounted for inventory valued at \$1,861,182 for the period January 1, 2008 through August 31, 2009. The internal control structure over cash receipts and inventory at the CR in effect at August 31, 2009, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the license sales inventory, except for the weakness described in the Findings and Recommendations Section of this audit report.



Brian A. Kwake, Chief
Audits Branch

December 8, 2009

Audit Staff: Scott Marengo, Auditor

FINDINGS

AND

RECOMMENDATIONS

FINDING 1 MISSING INVENTORY

We observed that there was \$1,698 in missing license inventory at the CR.

The California Government Code, Section 13402, requires that a satisfactory system of internal accounting and administrative control include a system of record keeping that is adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures. Additionally, LRB office Memo 01-02, dated February 19, 2002, states in part that: "The License and Revenue Branch and Department of Fish and Game license sales offices are responsible for ensuring the accuracy and accountability of inventory consigned to our license sales offices."

The CR did not have adequate procedures in place to account for their consigned license inventory. Inadequate controls over license inventory could lead to the loss or misuse of state assets.

RECOMMENDATION

The CR Office should attempt to locate the missing inventory. If the inventory cannot be located, CR management should remove the missing inventory using the declaration process. Thereafter, CR management should ensure their internal control system is adequate to track all inventories, assign responsibility, and to promptly identify missing or misplaced inventory.

CR Response: The CR license sales function will continue to look for the missing inventory. If the inventory can not be located, these items will be removed from the inventory by the License and Revenue Branch (LRB).

AB Comments: We concur with the CR response.

ATTACHMENT A

AUDITEE'S RESPONSE

State of California
Memorandum

The Resources Agency



To: Brian A. Kwake
Audit Branch

Date: November 9, 2009

From: Dr. Jeff Single, Regional Manager
Department of Fish and Game

for DL

Subject: Response to Audit Report – Central Region's License Sales

An audit of the Central Region's (CR) license sales function for the period January 1, 2008 through August 31, 2009 was conducted during September 2009.

In response to the September 2009 audit findings, the CR licenses sales function will implement the following tasks and additional training.

- Continue to look for missing inventory. If the inventory can not be located, these items will be removed from inventory by License and Revenue Branch (LRB).
- Any inventory that is checked in requires two individuals auditing for accuracy of inventory received from LRB.
- Staff issuing inventory to the clerks will double check inventory issued and now sign/date inventory sheet acknowledging inventory issued.
- The Business Services Assistant (BSA) will review the inventory consignment sheets immediately to address any discrepancies in issuance.

While these changes will aid in helping to eliminate potential problems, it is recognized that during this time period, CR license sales function was down 50% of their full time staffing.

cc: Diane Layman, AO III
Dee Nelson, AO I